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SUBJECT: RUSSIA AND IRAN: MOSCOW'S SHIFTING VIEWS

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Classified By: Ambassador William J. Burns. Reasons: 1.4(B/D).

11. (C) Summary: Iran's nuclear program has posed an increasing challenge to Russia's foreign policy as Moscow tries to balance its strong interest in preventing a nuclear armed Iran against the political and economic considerations that have traditionally driven relations with Tehran. However, over the last several months, Russian attitudes toward Tehran have hardened. In discussions with Russian experts, we detect several strains of thinking -- that Iran's continued intransigence has led to sharp frustration in the Kremlin, that Moscow remains concerned about U.S. military action against Tehran as Iran moves forward in developing a nuclear capability, and that the relative importance of Russia's economic interests in Iran is declining, especially given the risks posed to Russia's overall security interests by Tehran's current hard line policy. While Russia will seek to limit further coercive steps against Iran, continued close coordination with Moscow on the third round of sanctions should bear dividends in maintaining pressure on Iran. End Summary.

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Chill in the Air

12. (C) We have heard from multiple high-level sources within the Russian government that Moscow has become increasingly exasperated with Tehran's refusal to engage on the negotiations track. Trips to Tehran by former Security Council Secretary Igor Ivanov in January and by Federation Council International Affairs Committee Chair Mikhail Margelov in mid-February were unsuccessful. In March, Russia decided to delay fuel delivery to Iran's Bushehr reactor, ostensibly because of financial issues. (Refs A and C). At the same time, Moscow welcomed the early consultations that led to the second UN Security Council sanctions resolution in late March. In April, Presidential Foreign Policy Advisor Prikhodko told the Ambassador that Putin was "quite frustrated" with the Iranian government for failing to respond to Russian and other overtures on the nuclear issue, which Putin underscored in his July 2 meeting with the President.

13. (C) Some Russian experts see Putin's offer of cooperation on missile defense, albeit on Russia's terms, as the most concrete example yet that Russia recognizes that a nuclear-armed Iran poses a threat to Moscow's security interests. In his June 7 press appearance with the President, Putin stressed that "(w)e have the same understanding of common threats." One of the more thoughtful analysts of Russian foreign policy, Fedor Lukyanov, who is editor of Russia in Global Politics, told us that Putin's

offer to share information from the Qabala radar reflected Russia's slow but steady pulling away from Tehran, which had begun when Russia agreed to the first round of sanctions last year. Iran had disappointed Russia too frequently and the GOR had now made a strategic decision to side with the U.S. and Europe in the dispute about Iran's nuclear intentions and regional ambitions. Aleksandr Shumilin, editor of an on-line site focused on Russia's relations with the Middle East, noted that Igor Ivanov had summoned Russia's expert community in late-April to discuss challenges posed by Iran to Russia's interests. Shumilin, who participated in the meeting, concluded that Moscow had decided to reassess its Iran policy.

¶4. (SBU) Russia's pundits have been following suit. Gleb Pavlovskiy, who faithfully mirrors the Kremlin's line, has been quoted recently as arguing that Iran has never been Russia's friend and that Moscow's primary objective should be to prevent any military action by the U.S. against Iran, but if it were to happen, to stay uninvolved. Aleksey Pushkov of the Council for Foreign and Defense Policy has also argued that Russia was dumping its nuclear cooperation with Iran because of Moscow's calculations that the U.S. was preparing for more forceful steps against Tehran and Russia saw no benefit from getting in the middle of the dispute. He noted Moscow's reinforced emphasis on its commitment to nuclear nonproliferation.

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Growing Political Concerns?

¶5. (C) What accounts for these shifting views? Tehran's growing assertiveness in the Middle East is drawing Russia's attention, but views are mixed about whether this is necessarily negative for Moscow's interests. We understand

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from discussions with experts that there are those in the Kremlin who welcome Iran's role as an independent force in the Middle East that can challenge U.S. interests. At the same time, there are increasing signs of concern about Ahmadinejad's larger intentions and the risks posed by the Iranian leadership's lack of experience in the broader world.

Margelov warned publicly at the end of June that Iran might be able to field a nuclear weapon in less than five years and that this would likely lead to Iran's neighbors pursuing nuclear weapons as well, causing further regional destabilization. Russian Institute for Strategic Studies Director Yevgeniy Kozhokin, whose institute provides analysis to Russia's security services, argued that Ahmadinejad's experience was limited and that this could lead to dangerous miscalculations because the Iranian leadership saw the world through a regional prism in which the U.S. was on the defensive in Iraq. He said Ahmadinejad had little understanding of the depth of U.S. economic, political and military strength.

¶6. (C) Many of the experts we talked to expressed concern that the U.S. would pursue military action against Iran, which would destabilize the region even further and have direct effects on Russia's security as well as its economic interests. Given Russia's priority in pursuing commercial opportunities in the Middle East, the turmoil in Iran was already having a negative effect, according to Yevgeniy Satanovskiy, who in addition to heading the Israel and Middle East Studies Institute is also involved in manufacturing energy-related equipment. He claimed that the Kremlin essentially followed a "market based approach" to the Middle East and that instability harmed Russia's economic interests.

Ahmadinejad's obstinacy was seen as the primary reason for increasing tensions. Several experts we spoke to believed firmly that the U.S. would follow the same course it did in Iraq, with steadily more stringent UN sanctions laying the groundwork for eventual U.S. military action. Such action would harm Russian interests while making Moscow look ineffectual. Unlike Iraq, according to these experts, military action in Iran would have a direct effect on Russia

because of refugee flows that would likely destabilize Azerbaijan and the rest of the Caucasus.

• Economic Prospects: Disappointing

¶ 17. (C) Moscow's economic interests in its relationship with Iran, particularly in energy and arms sales, are often seen as a driver of Russian policy, but it too presents a mixed picture. Actual trade with Iran is fairly modest and in fact, trade levels have actually been declining for the past two years. Russia's exports to Iran peaked in 2005 at USD 1.8 billion and fell in 2006 to USD 1.5 billion. Iranian experts have been quoted as suggesting that imports from Russia will sharply decline in 2007, while Iranian exports will tick up only slightly. The MFA's Deputy Director for Iran and Afghanistan, Alim Mustafabely, discounted the role that trade played in the relationship, pointing out that Iran had never been a particularly robust economic partner for Russia. He thought that Russia's trade with Iran would eventually stabilize but that Tehran was more interested in building trade ties to Europe (and eventually the U.S.).

• Arms Sales

¶ 18. (C) Moscow's arms sales remain an important factor in strengthening Russia's ties to Iran, but their relative importance to the Kremlin may be declining. Aleksandr Pikayev, who heads the disarmament department at the Institute of World Economic and International Relations (IMEMO) acknowledged that arms sales to Iran created a strong lobby within the Kremlin to pursue a "balanced" policy toward Tehran, but he argued that the developing sanctions regime against Iran and shifts in interest in the Kremlin lessened the role the weapons trade played in setting Russia's Iran policy. In Pikayev's view, when Putin entered office, he and his retinue had strong ties to the arms industry and broke Yeltsin's pledge not to sell arms to Iran for personal and political reasons. Now, officials in the Kremlin were more focused on economic opportunities in energy. While noting that the December 2005 contract for the TOR air defense system was being implemented, he said that in the current climate, it was hard to imagine Rosoboroneksport satisfying Iran's longstanding interest in acquiring the S-300 long-range air defense system. While no analysts believed Russia would defer to U.S. sanctions, most saw a shifting economic calculation that would eventually drive changes in arms exports.

• Pipe Dreams?

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¶ 19. (C) Energy cooperation has also fallen short of expectations. Ivan Safranchuk of the World Security Institute underlined that Rosatom's ambitious plans for building more nuclear power plants overseas were no longer dependent on work in Iran, given the challenges posed by sanctions. (Note: Atomenergoprom, the new Russian nuclear monopoly, was created in part to make Russian-built plants more competitive on the international market. One press account recently cited a Rosatom source as declaring Bushehr a "loss leader." End Note.) Safranchuk and Sergey Oznobichev, who heads Moscow's Institute of Strategic Assessments, noted to us the importance to Russia of concluding a 123 Agreement with the U.S. to insure Russia's future as a leader in nuclear energy. Oznobichev observed that this would have an obvious effect in dampening Moscow's interest in pursuing nuclear energy ties with Tehran. On oil, despite interests by Lukoil in developing Iranian resources, there are concerns about the effects of bilateral U.S. sanctions. Gazprom remains interested in the giant Pars gas field but there is skepticism about the ability to develop exportable gas, with Gennadiy Chufrin, IMEMO Deputy

Director, dismissing the Iran-Pakistan-India pipeline as completely impractical for the foreseeable future.

• Diplomatic Repair Mission

110. (SBU) Moscow's frustration with Tehran and the decline in the relative importance of political and economic interests supporting closer ties should not be overestimated.

FM Lavrov was quick to reassure the Iranians at the June 21 Caspian Sea ministerial in Tehran that Russia did not see Iran as a threat. He pledged that Russia would honor its commitments to complete Bushehr, but conditioned this on Iran's compliance with IAEA safeguards. DFM Kislyak declared that it was premature to discuss another round of sanctions against Iran, but also urged that Iran seriously focus on the negotiating track. Both encouraged patience while Iran and the IAEA discuss outstanding issues. We have been urged by MFA sources to maintain P-5 Plus One unity, even at the costs of delay, because Iran's isolation is more important than the sanctions regime itself; in their view, Tehran will continue to seek cracks among Security Council members.

• Comment

111. (C) U.S.-Russian cooperation on Iran over the past few months is viewed in Moscow as one of the more positive features of the bilateral relationship, but there are limits to Russia's flexibility in seeking more coercive measures against Iran. Russia will likely keep closest to Iran among the P-5 Plus One. However, this still remains a moment of opportunity. Although Russia has never officially closed the door on completion of Bushehr, the fact remains that Moscow continues to delay the start of fuel delivery. We encourage continued close consultations with the Russians as we move forward to the third round of sanctions.

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